



**OFFICE OF AUDITOR OF STATE**  
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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ July 18, 2006 \_\_\_\_\_

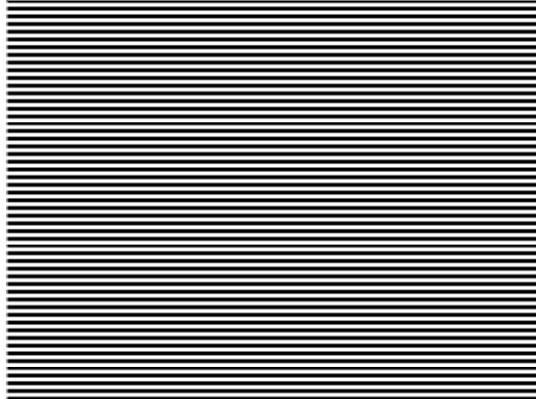
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Public Defense for the year ended June 30, 2005.

The Iowa Department of Public Defense is composed of the Military Division and the Homeland Security and Emergency Management Division. The main responsibilities of the Military Division are to protect the citizens of the state, recruit and train military personnel and maintain the National Guard armories throughout the state. The Homeland Security and Emergency Management Division is responsible for disaster preparedness and relief coordination throughout the state.

A copy of the report is available for review at the Iowa Department of Public Defense, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF PUBLIC DEFENSE**

**JUNE 30, 2005**

Office of  
**AUDITOR  
OF STATE**  
State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
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July 14, 2006

To Major General Ron Dardis, Adjutant General  
of the Iowa Department of Public Defense:

The Iowa Department of Public Defense is part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2005.

In conducting our audits, we became aware of certain aspects concerning the Department's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations which include those reported in the State's Single Audit Report, as well as recommendations pertaining to the Department's internal control and statutory requirements. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Public Defense, citizens of the State of Iowa and other parties to whom the Iowa Department of Public Defense may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Department during the course of our audits. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Department are listed on page 10 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor  
Michael L. Tramontina, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2005

**Findings Reported in the State's Single Audit Report:**

**CFDA Number: 97.004 – State Domestic Preparedness Equipment Support Program**  
**Agency Number: 066591/066898/074207**  
**Federal Award Year: 2003, 2004**  
**Iowa Department of Public Defense – Homeland Security and Emergency  
Management Division**

**State of Iowa Single Audit Report Comment:**  
**05-III-DHS-583-1**

Timely Submission – The Department must submit quarterly Standard Form (SF) 269A report within 45 days following the end of the calendar quarter as required by grant guidance from the U.S. Department of Homeland Security. A separate report is submitted for each grant number. For five grant numbers, the quarterly reports for the quarter ended March 31, 2005 were not submitted timely.

Recommendation – The Department should ensure the reports are submitted timely.

Response and Corrective Action Planned – The Department implemented an in-house policy/procedure starting state fiscal year 2006 to ensure all quarterly reports are filed in a timely manner.

Conclusion – Response accepted.

**CFDA Number: 97.004 – State Domestic Preparedness Equipment Support Program**  
**Agency Number: 066591/066898/074207**  
**Federal Award Year: 2003, 2004**  
**Iowa Department of Public Defense – Homeland Security and Emergency  
Management Division**

**State of Iowa Single Audit Report Comment:**  
**05-III-DHS-583-2**

Cash Management – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. As stated in the Cash Management Improvement Act (CMIA) Agreement, the State Domestic Preparedness Equipment Support program is funded on a cash advance basis. This means federal draws are not to be deposited more than three days prior to the date of disbursement.

In addition, effective cash management procedures also minimize the amount of state funds which must be used to operate the program until the federal funds are received.

As part of its cash management procedures, the Homeland Security and Emergency Management Division accumulates reimbursable costs for each federal program on a spreadsheet. These spreadsheets are to support requests for reimbursement for federal programs and are attached to a summary spreadsheet or cash receipt.

Report of Recommendations to the Iowa Department of Public Defense

June 30, 2005

A review of the Department's ledgers and cash management system identified the following:

- a) In one instance, the Department drew funds, but the corresponding disbursements were not made until six working days later. The draw amount was \$28,858.
- b) In four instances, the Department drew more funds than were documented on the spreadsheets used to support requests for reimbursement for federal programs.
- c) Twelve instances were noted where the cash balance was in excess of \$100,000 for a period of four to thirty-seven days.

Recommendation – The Department should develop and implement procedures to ensure federal funds are drawn in amounts sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.

Response and Corrective Action Planned – The Department has started using the same automated billing system as the State Fiscal Office. This system only draws money from the federal grants in amounts that are processed as payments. When draws are received, corresponding claims are forwarded to Department of Administrative Services – State Accounting Enterprise (DAS- SAE) for payment thereby expending the draw amount and limiting the cash on hand only to claims that have not processed through DAS-SAE.

Conclusion – Response accepted.

June 30, 2005

**Findings Related to Internal Control:**

- (1) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each department and division of state government to maintain an accurate, up-to-date inventory of all real and personal property belonging to the state and under their charge, control and management.

For the Military Division, one of fifteen assets tested for existence could not be located.

The Homeland Security and Emergency Management Division did not perform a reconciliation of capital asset additions per the capital asset record to the total capital expenditures for the year. Review of the Department's capital expenditures during the year identified seven assets purchased which were not added to the capital asset listing.

Recommendation – The Department should ensure a detailed, up-to-date capital asset record is maintained. This includes ensuring capital asset additions are reconciled to capital expenditures and all assets are properly included on the asset listing.

Response –

Military Division – The Military Division has a policy in place that requires all assets to be properly recorded on an inventory listing. Procedures implementing policies will be reviewed and personnel will be trained to insure correct procedures are used to record and locate assets.

Homeland Security and Emergency Management Division – The Homeland Security and Emergency Management Division has put a policy in place to insure assets are properly recorded on an inventory listing. Procedures to implement this are being developed and will be in place with individuals trained in their use by 30 June 2006.

Conclusion – Response accepted.

- (2) Procurement Cards – Prior to January 2006, the Iowa Department of Administrative Services (DAS) implemented the Procurement Card Program. In January 2006, DAS revised the program and renamed it as the Purchasing Card Program. This comment is based on the Procurement Card Program.

The purpose of the Procurement Card Program is to establish a faster, more cost-effective method for purchasing and payment. The DAS Procurement Card Program requires informal bids for all non-State contract purchases between \$500 and \$2,500. Documentation of the informal bids is required to be included with support for the purchase.

The DAS Procurement Card Program requires a cardholder to be an employee of the State of Iowa who is designated by their supervisor and approved by the Department Administrator to utilize the Procurement Card to purchase supplies and/or goods. The cardholder is subject to single transaction limitations and a monthly limit. Each purchase must be supported by a receipt or other supporting documentation. Cardholders may only hold one card. A card that does not have the cardholder's signature in the signature block is technically an invalid card.

## Report of Recommendations to the Iowa Department of Public Defense

June 30, 2005

The DAS Procurement Card Program requires a Department Administrator to be designated within the Department for questions, issues and administration of the program. The Department Administrator should keep an active and historical listing of all procurement cards and limitations.

A review of the procurement card transactions included the following findings:

### Military Division:

- (1) Five of five individual transactions where the price per unit was \$500 or above did not have evidence of informal bids.
- (2) For ten of thirty-seven items tested, cardholders were able to circumvent the transaction limit by having the vendor split the purchase into multiple transactions. Split purchase transactions were identified for three different cardholders.
- (3) One of the two months tested did not have a monthly reconciliation completed within the required 30 days after receipt of the statement.
- (4) Public Defense's Procurement Card Policy instructs employees to sign the procurement card with "photo id required" rather than signing their name in the signature block on the card as required by DAS's Procurement Card Program Cardholder's User's Guide.
- (5) Two of thirty-seven items tested were not supported by an original invoice.

### Homeland Security and Emergency Management Division:

- (1) Four of four months tested did not have a monthly reconciliation completed.
- (2) One of one rebate receipts tested was not supported by a cash receipt document or other appropriate documentation.
- (3) One of four payments tested was not supported by appropriate documentation.
- (4) One of four payments tested was paid more than 25 days after the statement date, which is contrary to the terms of the agreement.
- (5) For three of four payments tested, the cardholders were county names or "Emergency Management" rather than employees.
- (6) The Division Procurement Card Administrator did not maintain a listing of the cardholders and transaction limits.

### Recommendation –

#### Military Division:

- (1) The Division should comply with the procedures manual requirement on informal bids for non-State contract purchases between \$500 and \$2,500. The quotes should be documented and included with supporting documentation for the purchase. If it is not possible to obtain bids from three vendors, the reason should be documented and included with the supporting documentation.
- (2) The Division should make cardholders aware it is not allowable to split transactions. In addition, the Division should develop and perform procedures as part of the monthly review of statements to identify when cardholders circumvent limits established on the cards. Violations should be subject to review and the Division should consider if it is appropriate to cancel the card.
- (3) The Division should establish procedures to ensure a monthly reconciliation is performed within 30 days after receipt of the statement.

Report of Recommendations to the Iowa Department of Public Defense

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- (4) All cardholders should sign their names in the signature block on the back of their procurement card as required by the Procurement Card Program Cardholders User's Guide.
- (5) All procurement card purchases should be supported by original detailed invoices/receipts or other supporting documentation.

Homeland Security and Emergency Management Division:

- (1) The Division should establish procedures to ensure a monthly reconciliation is performed within 30 days after receipt of the statement.
- (2) All procurement card rebates received should be supported by cash receipt documents and supporting documentation.
- (3) All procurement card purchases should be supported by original detailed invoices/receipts or other supporting documentation.
- (4) The Division should establish procedures to ensure timely payment to Commerce Bank.
- (5) All cards should be in the names of State employees and an accurate and historical listing of cards issued and limits granted should be maintained.
- (6) The Division Procurement Agreement Card Administrator should maintain a current listing of the cardholders and transaction limits.

Response –

Military Division – The Military Division has currently complied with all of the Auditors' recommendations except recommendation (1). This recommendation is being reviewed and adjustments to the Military Division's procedures will be made by June 30, 2006.

Homeland Security Division and Emergency Management – The Homeland Security and Emergency Management Division has made the necessary changes to its procedures to insure compliance with the Auditor's recommendations.

Conclusion – Response accepted.

June 30, 2005

**Findings Related to Statutory Requirements and Other Matters**

- (1) Biennial Reports – Chapter 7A.3 of the Code of Iowa requires the Adjutant General file a biennial report in each even-numbered year. The reports shall cover the biennial period ending June 30 and shall be filed as soon as practicable after the end of the reporting period. The Adjutant General is also required, in addition thereto, in each odd-numbered year, to file summary reports relating to their operations for the preceding fiscal year. Such reports shall be filed as soon as practicable after June 30 of each odd-numbered year. Biennial reports shall be as detailed as may be required by the governor, or in case the reports are to be filed with the general assembly, the presiding officers of the two houses of the general assembly. The biennial reports for fiscal years 2003, 2004 and 2005 have not been filed.

Recommendation – The Adjutant General should take steps to ensure compliance with the Code of Iowa.

Response – The 2003, 2004 and 2005 annual reports will be completed by October 1, 2006.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Public Defense

June 30, 2005

Staff:

Questions or requests for further assistance should be directed to:

K. David Voy, CPA, Manager  
Tammy L. Mason, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Kathleen S. Caggiano, Senior Auditor  
Trevor L. Theulen, Staff Auditor  
Dorothy O. Stover, Assistant Auditor  
Janet M. Tiefenthaler, Assistant Auditor  
Jennifer L. Wall, Assistant Auditor